



MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Larry J. Monteilh, Executive Officer
Clerk of the Board of Supervisors
383 Hall of Administration
Los Angeles, California 90012

All Department/District Heads

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At its meeting held September 21, 1993, notice having been duly given, the following matter was called up:

Hearing on proposed establishment of fees for the use of a Discover Card for the payment of fines, fees, forfeitures, charges, taxes and services rendered by the County, where permissible by statute, as further described in the attached letter from the Treasurer and Tax Collector, dated September 9, 1993.

Opportunity was given for opponents and proponents to address the Board. No interested persons addressed the Board.

On motion of Supervisor Burke, seconded by Supervisor Edelman, unanimously carried (Supervisors Dana and Antonovich being absent), the hearing was closed and the Board took the following actions:

1. Authorized the acceptance of Discover Card for the payment of property taxes, and, as deemed appropriate by the Treasurer and Tax Collector, for the payment of other statutorily permissible services rendered by the County;
2. Authorized the acceptance of Discover Card for the payment of all legally permissible Court fines, fees and forfeitures and the continuation of the acceptance of VISA and MasterCard, with the addition of the Discover Card with the absorption of surcharges, for only the Court automated payments system for the expanded Los Angeles Municipal TIPS and Fax Filing programs and the existing and new Court Payment Kiosks;

(Continued on Page 2)

3. Authorized the acceptance of Discover Card for the payment of fees, charges, and other taxes due the County at such time as the acceptance of credit cards with user fees for such matters is approved by the Legislature;
4. Approved the proposed fees for use of a Discover Card, as set forth on Attachment 1, and instructed all County Departments, Court Administrators and District Heads participating in the Countywide Discover Card Program to implement the user fees, except in cases where Discover Card has been added to applications where multiple cards are accepted and the credit card surcharges are absorbed;
5. Authorized the Treasurer and Tax Collector to enter into an agreement with Discover Card to implement the credit card program with the user fee schedule, as approved by the Board, and the mutually agreed upon discount fees (credit card surcharges), as may be negotiated from time to time, by the Treasurer and Tax Collector for the County Departments with multiple credit card applications;
6. Instructed all County Department Heads, Court Administrators and District Heads to work with the Treasurer and Tax Collector to provide for the timely and efficient implementation of the Countywide Discover Card Program; and
7. Authorized the Treasurer and Tax Collector to terminate, where feasible, the acceptance of VISA and MasterCard credit cards with the exception of the Courts automated payment system and the Public Library's existing programs.

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Attachments

Copies distributed:
Each Supervisor



COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR



HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 437
P.O. BOX 4917
LOS ANGELES, CALIFORNIA 90051-2917

SANDRA M. DAVIS
TREASURER AND TAX COLLECTOR

September 9, 1993

TELEPHONE
(213) 974-2101
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EXECUTIVE SUMMARY
RECOMMENDATIONS FOR IMPLEMENTATION OF A DISCOVER CARD
CREDIT CARD ACCEPTANCE PROGRAM
(3-VOTES)

Request

Approve the acceptance of Discover Card for the payment of statutorily permissible fines, fees, forfeitures, charges, taxes and services countywide including the Courts; approve the proposed Discover Card usage fees; authorize the Treasurer and Tax Collector to execute the necessary Discover Card agreement and administer and implement the program; and authorize the Courts, for their existing and new Payment Kiosks and their expanded TIPS and Fax Filing programs, to continue their acceptance of VISA, MasterCard and add Discover Card.

Fiscal Impact

- The recommended Discover Card acceptance program presents a cost effective countywide credit card application which minimizes the expense to the customer by passing through nominal customer usage charges while preserving County revenue by eliminating the County absorption of the credit card company surcharge fees. Discover Card will provide the County up to 100 free credit card terminals and printers to facilitate implementation.

Issues

- Legislation to provide the pass through of credit card surcharges for Court fines, fees and forfeitures and the Treasurer and Tax Collector's property taxes and services have been chaptered. The bill permitting the pass through of credit card surcharges for the remainder of the County's fees, charges and other taxes has been introduced and is expected to be passed and operational by January 1994.
- VISA and MasterCard, by policy, refuse to permit the County to pass through credit card surcharges. VISA and MasterCard, with the addition of Discover Card, will continue to be

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accepted for the Courts automated payment system as well as for the Public Library so as not to unduly disrupt their programs, and credit card surcharges will continue to be absorbed. With those exceptions, VISA and MasterCard acceptance, where feasible, will be terminated.

- Discover Card will permit the County to pass through the surcharge and has proposed a very favorable customer fee schedule which ranges from \$.50 to a maximum of \$5.00. The Discover Card usage fee constitutes the imposition of a new fee which requires publication, public hearing and Board adoption of the fee.
- Although acceptance of Discover Card may limit high volume utilization due to the company's lower market share of cardholders, a major marketing effort on their part is to be undertaken and a quick-qualify program to expedite the customers' receipt of cards is to be implemented.

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COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR



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September 9, 1993

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The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

RECOMMENDATIONS FOR IMPLEMENTATION OF A DISCOVER CARD CREDIT CARD ACCEPTANCE PROGRAM (3-VOTES)

The Treasurer and Tax Collector is seeking your Board's approval to accept Discover Card for the payment of statutorily permissible fines, fees, forfeitures, charges, taxes and services countywide including the Courts; to levy a customer Discover Card usage fee to offset the charge card surcharges, except where Discover Card is accepted in conjunction with VISA and MasterCard; to authorize the Treasurer and Tax Collector to execute the necessary Discover Card agreement and to administer the program; to authorize the Courts, for their existing and new automated Payment Kiosks and for their expanded Los Angeles Municipal Traffic Interactive Payment System (TIPS) and FAX filing program, to continue their acceptance of VISA and MasterCard and to add Discover Card.

BACKGROUND

In accordance with your Board's instructions, Treasurer and Tax Collector, in cooperation with the Courts, sought and obtained enabling legislation to enable the County to pass on to the cardholder credit card surcharge fees. AB392 and SB1683, which provide for the pass through of credit card fees for the Courts fines, fees and forfeitures, and the Treasurer and Tax Collector's property taxes and services have been chaptered. SB405, which permits the pass through of charges for the remainder of the County's fees, charges and other taxes has been introduced and is expected to be passed and operational by January 1994.

As a result of that legislation, the Treasurer and Tax Collector has endeavored to develop a cost effective countywide credit card acceptance program which would minimize the expense to the customer and preserve the County's revenue. The Treasurer and Tax Collector entered into discussions with VISA and MasterCard, the County's current card servicers, but was advised that it is the policy of VISA and MasterCard to prohibit the pass through of surcharges. Therefore, if the County elects to continue to accept VISA and

MasterCard, it may do so, but must be willing to incur the 2%-3% revenue loss resulting from the absorption of the credit card surcharges.

PROPOSED DISCOVER CARD PROGRAM

As a result of the decisions of VISA and MasterCard, Treasurer and Tax Collector entered into discussions with Discover Card, who indicated a willingness to structure a program which would meet the objectives of the County. Discover Card has agreed to permit the County to pass through surcharges, except in situations where the County will continue to accept VISA and MasterCard, and has proposed an extremely favorable customer usage fee schedule (Attachment 1). The proposed fee schedule, as compared to the current VISA/MasterCard costs currently incurred by the County, are as follows:

<u>TRANSACTION SIZE</u>	<u>VISA/MC CHARGE</u>	<u>DISCOVER CHARGE</u>
\$ 1 - \$ 49.99	\$ 1.37	\$0.50
\$ 50 - \$ 199.99	\$ 5.50	\$1.00
\$200 - \$ 399.99	\$11.00	\$2.00
\$400 - \$ 699.99	\$19.25	\$3.00
\$700 - \$1000.99	\$27.53	\$5.00
\$1001 and up	unlimited	\$5.00 Maximum

In addition to the low rate, the Discover Card program also offers the customer a Cashback Bonus program. The Cashback program provides the customer with the opportunity to receive up to a 1% cash rebate on the amount of their annual charges. These features, coupled with the fact that there is no annual customer card fee, is anticipated to substantially contribute to increasing the volume of customers willing to obtain and utilize a Discover Card for the purpose of making countywide payments.

Although we believe that a Discover Credit Card program may initially limit high volume utilization, the program is predicated on the company's ability to gain market share, acceptance, and availability by the public. In that regard, Discover Card intends to saturate the Los Angeles marketplace through radio/television advertising and is planning to implement a quick acceptance program to facilitate the public's receipt of the card.

PROPERTY TAX DISCOVER CARD PROGRAM

SB1683 amended the Revenue and Taxation Code to provide that, with Board approval, the Treasurer and Tax Collector may accept credit cards for the payment of property taxes and charge the customer a

user fee. As a result, the Treasurer and Tax Collector, in cooperation with Union Bank, developed a telephone automated property tax payment system to provide a convenient, customer friendly method for customers wishing to use Discover Card to make their property tax payments by telephone. This program has been designed to expedite the flow of funds into the County Treasury, to improve the controls over the payments collected, to afford the public an alternative method of making their property tax payments, and the flexibility to manage their personal finances. We view this program as an integral part of our continuing efforts to enhance customer service. As a result, we are requesting your Board's approval to accept Discover Card payments, with the applicable customer user fees, for the payment of property taxes for the upcoming tax season and, thereafter, for other statutorily permissible taxes and charges deemed appropriate by the Treasurer and Tax Collector.

COUNTYWIDE CREDIT CARD ACCEPTANCE

The County's acceptance of credit cards has, to date, been extremely limited. The magnitude of the revenue loss resulting from the high surcharges imposed by the credit card companies has served as a major barrier to the acceptance of credit cards by governmental entities.

To date, there has been only limited use of VISA and MasterCard in the County. Health Services accepts the cards for its outpatient payments, the Courts accept the cards for their TIPS, Fax Filing and Long Beach Payment Kiosk, and the Public Library accepts the cards for their telephone research and catalog book rental program. To date, the public has, in large, been denied the flexibility and convenience that payment by credit card can provide because unlike the private sector, government in most cases can not adjust its "pricing" to cover the higher costs of collection associated with the acceptance of the credit card.

The proposed Discover Card program, on the other hand, does offer the solution which government has been seeking. Discover will permit the County to pass on a customer usage fee and has proposed a fee which is very reasonable and should be well received by the public. In situations where Discover Card will be accepted along with other cards that do not permit user fee pass throughs, Discover will permit the County to accept their card with a credit card surcharge in the same manner as the other cards. Discover has proposed these options to permit the County the flexibility to continue to accept other cards where, in the County's judgment, it is not in its best interest to discontinue accepting them. However, as an additional incentive, Discover Card has offered, in those locations where the County does not accept other credit

cards, to make available up to 100 state-of-the-art credit card swipe terminals and printers at no cost to facilitate the County's implementation. We, therefore, recommend that the Board authorize the countywide acceptance of Discover Card for all statutorily permissible applications with the applicable user fee and authorize the Treasurer and Tax Collector to work with all County Departments, Court Administrators and District Heads to implement the program where appropriate.

While it is the Treasurer and Tax Collector's recommendation to discontinue acceptance of credit cards that do not permit usage fee pass throughs, particularly when the fee/fine or tax can not be adjusted to recoup the credit card surcharge, such an action may unduly disrupt existing Court and Public Library programs. For example, the credit card programs currently in use at the Public Library are such that they can adjust their fees to recoup the expenses of the surcharge in the same manner that private industry does. Therefore, while they are agreeable to add Discover Card to their program, they would prefer not to eliminate VISA and MasterCard and thereby reduce the number of potential cardholders available to participate in their program. In that they can adjust their fees and thereby suffer no revenue losses, we would concur with their request and, therefore, recommend that Discover Card be added to their program with no user pass through fee.

With regard to the Courts, they are concerned that failure to accept VISA and MasterCard will reduce participation and hamper the expansion of their automated systems that are largely or wholly reliant on credit card use. The Courts are not permitted to adjust the amount of the fines or forfeitures and therefore, must be prepared to absorb the revenue loss if VISA and MasterCard acceptance is continued. While they recognize this situation, they feel strongly that Discover Card's lack of market share will adversely affect their automated payment programs and they have, therefore, proposed that Discover Card be added to those programs under the same terms and conditions as VISA and MasterCard which includes the continued absorption of the credit card surcharge. They are recommending, however, that Discover Card with the applicable user fee charges be implemented at all of their over-the-counter Court locations.

In that the impact of the elimination of VISA and MasterCard in favor of Discover Card is not known, we believe that the Courts' proposal reflects a reasonable approach and we, therefore, are supportive of their position. The Chief Administrative Officer concurs with these recommendations and the Courts have agreed that the results of the over-the-counter Discover Card program and the automated payment systems credit card acceptance programs in the Courts will be analyzed and evaluated one year following the

installation and implementation of the program at the Court facilities. We, therefore, recommend that the Board approve the acceptance of VISA, MasterCard and Discover Card with no user pass through fees at all Court Payment Kiosks and for the expanded Los Angeles Municipal TIPS and Fax Filing programs. In addition, we recommend that your Board authorize the acceptance of Discover Card with applicable user fees at all over-the-counter Court locations.

RECOMMENDATIONS

Given the benefits presented by the Discover Card program and the revenue degradation that would be incurred by the expansion of the VISA and MasterCard credit card acceptance program, we believe that it is in the best interests of the County to continue to limit, where feasible, the County's acceptance of VISA and MasterCard, to approve and implement the countywide acceptance of Discover Card and to approve the proposed customer credit card user fee as set forth on Attachment 1.

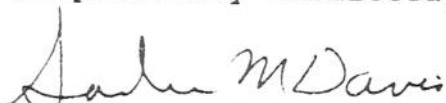
In that the implementation of the pass through of the credit card surcharge constitutes the imposition of a new fee, pursuant to Government Code Sections 66018 and 6062a, a notice of public hearing has been duly published and a public hearing on the proposed fees for the use of Discover Card has been scheduled for September 21, 1993.

THEREFORE IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the acceptance of Discover Card for the payment of property taxes and, as deemed appropriate by the Treasurer and Tax Collector, for the payment of other statutorily permissible services rendered by the County.
2. Authorize the acceptance of Discover Card for the payment of all legally permissible Court fines, fees and forfeitures and the continuation of the acceptance of VISA and MasterCard, with the addition of the Discover Card with the absorption of surcharges, for only the Court automated payments system for the expanded Los Angeles Municipal TIPS and Fax Filing programs and the existing and new Court Payment Kiosks.
3. Authorize the acceptance of Discover Card for the payment of fees, charges, and other taxes due the County at such time as the acceptance of credit cards with user fees for such matters is approved by the Legislature.

4. Following the close of the public hearing on September 21, 1993, adopt the proposed fees for the use of a Discover Card, as set forth on Attachment 1, and instruct all County Departments, Court Administrators and District Heads participating in the countywide Discover Card program to implement the user fees, except in cases where Discover Card has been added to applications where multiple cards are accepted and the credit card surcharges are absorbed.
5. Authorize the Treasurer and Tax Collector to enter into an agreement with Discover Card to implement the credit card program with the user fee schedule, as approved by the Board, and the mutually agreed upon discount fees (credit card surcharges), as may be negotiated from time to time, by the Treasurer and Tax Collector for County departments with multiple credit card applications.
6. Instruct all County Department Heads, Court Administrators and District Heads to work with the Treasurer and Tax Collector to provide for the timely and efficient implementation of the countywide Discover Card program.
7. Authorize the Treasurer and Tax Collector to terminate, where feasible, the acceptance of VISA and MasterCard credit cards with the exception of the Courts automated payment system and the Public Library's existing programs.

Respectfully submitted,



SANDRA M. DAVIS
Treasurer and Tax Collector

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Attachment

c: Chief Administrative Officer
County Counsel
Auditor-Controller
Executive Officer, Board of Supervisors
Department Heads
District Heads
Court Administrators

ATTACHMENT 1

Credit Card Per Transaction Pricing	
Transaction Sales Amount	Discover Transaction Fee
\$.01 - \$49.99	\$.50
\$50.00 - \$199.99	\$1.00
\$200.00 - \$399.99	\$2.00
\$400.00 - \$699.99	\$3.00
\$700.00 - and up	\$5.00